

Special Notice

Intended audience: Businesses that manufacture and/or sell commercial airplanes and component parts and aerospace tooling

May 12, 2020

Increased B&O tax rates for certain aerospace tax classifications

New 2020 legislation made several changes to how certain aerospace businesses are taxed, and how those businesses will report. These changes affect businesses subject to the business and occupation (B&O) tax on manufacturing, retailing, and wholesaling activities.

Affected business

This legislation affects all businesses with the following business activities:

- Manufacturing/processing for hire of commercial airplanes and components.
- Retailing of commercial airplanes and components.
- Wholesaling commercial airplanes and components.
- Manufacturing/processing for hire of aerospace tooling.
- Wholesaling of aerospace tooling.
- Retailing of aerospace tooling.

What is changing?

Effective April 1, 2020, the reduced B&O tax rate for the following tax classifications no longer apply:

- Manufacturing of Commercial Airplanes, Components, or Aerospace Tooling.
- Wholesaling of Commercial Airplanes, Components, or Aerospace Tooling.
- Retailing of Commercial Airplanes, Components, or Aerospace Tooling.

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For tax assistance or to request this document in an alternate format, visit dor.wa.gov or call 360-705-6705. Teletype (TTY) users may use the Washington Relay Service by calling 711.

How to report

Beginning April 1, 2020, businesses engaged in the above activities will report as follows:

Aerospace Manufacturers of Commercial Airplanes and/or their Component Parts

If you manufacture and/or sell commercial airplanes and/or manufacture components for commercial airplanes you should report under the following line codes:

- Manufacturing of Commercial Airplanes or Components (0.484%).
- Wholesaling of Commercial Airplanes or Components (0.484%).
- Retailing of Commercial Airplanes or Components (0.484%).

Aerospace Tooling Manufacturers

If you manufacture and/or sell tooling that is used by manufacturers of commercial airplanes and/or manufacturers of their components, you should report these activities under the standard B&O tax classifications for:

- Manufacturing or processing for hire (0.484%).
- Wholesaling (0.484%).
- Retailing (0.471%).

Annual tax performance reports

2020 Reporting Year

For **Jan. 1, 2020 through March 31, 2020**, manufacturers, retailers and wholesalers of commercial aircraft, components and aerospace tooling must report tax incentives claimed from the preferential tax rates in RCW 82.04.260(11).

For the **entire 2020 calendar year**, manufacturers, retailers and wholesalers of commercial aircraft, components and aerospace tooling, and all other aerospace businesses, must report tax incentives claimed from other aerospace preferential B&O rates, credits, or exemptions.

Jan. 1, 2021 through July 1, 2040

Aerospace businesses must report tax incentives claimed from the non-manufacturing aerospace product development B&O rate or other aerospace preferential credits and/or exemptions on annual tax performance reports.

Taxpayers only reporting B&O tax for manufacturing commercial airplanes, or components or aerospace tooling, per RCW 82.04.260 (11), and not claiming any additional tax preferences, will not be required to submit an annual tax performance report.

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Note: These requirements will be in effect until July 1, 2040, unless new preferential B&O rates are authorized on or after April 1, 2021.

Key definitions

Commercial airplane has its ordinary meaning, which is an airplane certified by the federal aviation administration for transporting persons or property, and any military derivative of such an airplane.

Component means a part or system certified by the federal aviation administration for installation or assembly into a commercial airplane.

Tooling has the meaning explained in [ETA 3162.2009](#).

Questions?

Visit dor.wa.gov or call 360-705-6705.

Read [ESB 6690](#).